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S E C R E T SECTION 01 OF 03 DAMASCUS 000126

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TAGS: [EFIN](#) [ETTC](#) [PGOV](#) [PREL](#) [PTER](#) [SY](#)
SUBJECT: CONVERTING DESIGNATIONS UNDER EXECUTIVE ORDER
13460 INTO PRESSURE ON BASHAR

REF: A. DAMASCUS 70
[1](#)B. DAMASCUS 54

Classified By: CDA Michael H. Corbin for reasons 1.5 b and d.

[1](#)1. (S) Summary: The February 13 White House announcement of amended Executive Order 13338 (E.O. 13460) provides a powerful tool to target corrupt regime insiders, play on widespread public recognition of and opposition to corruption in Syria, and potentially increase pressure on Bashar from the Syrian business elite. While designation of corrupt regime insiders will stigmatize the worst offenders, the Embassy suggests a further use of this tool may come from the threat of designations against the many other Sunni and Alawite businessmen who tolerate and benefit from corruption to stay in business. Our ability to transform the desire of Syrian business elites to avoid sanctions into direct pressure on Bashar to modify his policies -- particularly in Lebanon -- will require reinforcement of our direct message to Syrian businessmen by U.S. allies and a media strategy that not only explains and publicize the new focus on corruption, but also sends a sobering message to the Syrian business elite. A list of potential action items to achieve these objectives is included in paragraph eight. End Summary

[1](#)2. (S) In the wake of the White House announcement of E.O. 13460 to allow designation of Syrian individuals engaged in or benefiting from corruption, some Embassy contacts have been seeking clarification and expressing concern about how the new E.O. might affect them. Opposition elements and many other Syrians will react positively to the pending designation of Bashar's cousin Rami Makhlouf. Though we expect the regime to react negatively (FM Moullim threatened to take retaliatory actions in a February 14 press conference with Iranian FM Mottaki), the Syrian public is strongly opposed to public corruption, as demonstrated by an unusual public opinion poll published February 20 by the government-owned daily al-Thawra, which reported the vast majority of Syrians polled saw corruption expanding throughout government institutions.

[1](#)3. (S) Against this backdrop, the Embassy suggests that it may be possible to leverage the threat of the new corruption designations to convince Syrian business elites to pressure Bashar to modify Syria's regional policies, particularly in

Lebanon. In particular, businessmen representing U.S. companies already have an immediate interest in avoiding designation, as do dual Syrian-American citizens who are associates of potential designees. Last year, for example, after press reports of an SEC investigation into Ford operations in Syria, local Ford distributor Imad Ghreiwati, President of the Syrian Chamber of Industry and regime intimate, contacted us to plead his innocence. Ghreiwati's response to a news story hinting that his business relationship with a U.S. multinational (through Europe) could be in jeopardy demonstrates how powerful a tool the new E.O. potentially is in influencing the behavior of regime intimates.

14. (S) More generally, any Syrian wanting to do business in the U.S. market will have an incentive to avoid association with corruption. Holding out the possibility of more designations against those who tolerate and benefit from corruption to stay in business represents a useful tool to generate pressure on Bashar's inner circle. Our goal should be to advertise the potential applications of E.O. 13460 as a cost that the business community will bear because of the SARG's destabilizing regional role. Business elites may start to express concerns adding to the pressures Bashar already faces from domestic economic issues (such as the cost of fuel subsidies), international and political criticism of Syria's role in Lebanon, and questions about Bashar's government's ability to guarantee security after the assassination of Mugniyah in Damascus.

15. (S) Perhaps the most dramatic example of the Syrian business elite's influence occurred in the fall of 2005, when top-tier Alawite and Sunni businessmen and regime-insiders

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reached out to us and others to assure us they were favorably disposed to the USG and to assert they had lost faith in Bashar Asad's ability to govern. At that time, the Asad regime was under intense international pressure and isolated following the withdrawal of the Syrian military from Lebanon and the Mehlis investigation that leaked names of regime pillars in connection with the assassination of former Lebanese PM Rafiq Hariri. All of the personalities who expressed a readiness to question Asad's competence are potentially sanctionable under E.O. 13460. This E.O. may have the potential to make this group again feel threatened and to question whether Bashar is best placed to guarantee their future prosperity. While Bashar was able to recover in early 2006, his response this time to the concerns of Syrian business elites may be more difficult to predict given the increased international and domestic pressure he faces.

16. (S) When viewed against Bashar's emphasis on transforming Syria's economy and taking active steps to attract foreign business investment, the subject of corruption remains a ripe source of vulnerability for the Syrian regime. The SARG routinely blames corruption as the source of Syria's economic problems (e.g., fuel shortages), and we hear grousing at all levels of society about corrupt officials and businessmen who benefit at the expense of Syria's honest working people and legitimate businesses. In this context, we should attempt to spin designations against prominent, corrupt businessmen as a positive step toward economic reforms that will help legitimate business and working families who remain outside the regime's ring of preferential treatment.

17. (S) Moreover, in a society that is proud of its trading heritage, we are seeing more Alawites (whose parents were recruited for their loyalty to key security service and military posts) seeking to enter business and profit from their regime ties. Together with a small set of Sunni businessmen who are charged with enforcing loyalty to the regime, both groups may represent a potential target for U.S. designations.

18. (S) Putting pressure on the business elite to attempt to

increase pressure on Bashar will require a media strategy and diplomatic support from U.S. allies. Although the following list of potential measures is not exhaustive, we offer these suggestions as potential options to advertise Washington's serious intention to make Syrian businessmen pay a high cost for the regime's regional policies:

-- High-level contacts at the political level to seek support from key Arab and European countries. In particular, we should focus Saudi, Egyptian, and French officials on concrete ways to influence Bashar's Lebanon policy. Our message should be that we have few levers to shape the Syrian regime's behavior, but the threat of U.S. designations can make Syria's business elites pay a high price and give them cause to pressure Bashar to modify Syria's policy. This subject could also be discussed with Turkey and India, where Syria is desperately seeking investment and business partnerships. While some countries might resist this message, simply making the pitch will have a psychological impact on the Syrian business community and the Syrian regime.

-- Along the lines of U/S Levey's tour of European and Arab capitals to discuss Iranian banking issues, conduct high-level Treasury visits to key countries, including India and Turkey. Such visits could help explain the technical aspects of E.O. 13460 designations and their potential impact on countries with which Syria does business. These visits could also try to persuade international business contacts to send a tough message to their Syrian counterparts on the negative economic impact of the designations and underscore the high cost Syrian business elites will bear as a result of Syria's regional policies.

-- Explore ways to focus the Security and Exchange Commission on U.S. and other firms doing business with designated Syrian individuals.

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-- Urge American Chambers of Commerce in the region to pass along our technical and political messages to Syrian contacts regarding the economic effects of designating Syrians and the political cost Syrians will bear.

-- Announce a comprehensive USG review of Syrian business activities as a follow on to the amended E.O.

-- Leak or suggest the existence of a list of Syrian businessmen who may be under active consideration for designation.

-- Press backgrounders and on-the-record interviews emphasizing how Syrians in general and business elites in particular will be paying the cost for the SARG's unconstructive regional policies. This could include use of media hubs to Arabic-language satellite channels and major regional print media.

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